

ECONOMIC DEVELOPMENT COMMITTEE

DATE: August 2, 2007

CALLED TO ORDER: 5:46 p.m.

ADJOURNED: 6:50 p.m.

ATTENDANCE

ATTENDING MEMBERS

Jackie Nytes, Chair
Joanne Sanders
Lonnell Conley
Patrice Abdullah
Virginia Cain
Marilyn Pfisterer

ABSENT MEMBERS

Isaac Randolph

AGENDA

PRESENTATION- Use of tax abatements in Marion County
Margaret Banning, Administrator of Community Economic Development, Department of Metropolitan Development.

PROPOSAL NO. 303, 2007-recommends the granting of an "Economic Development for a Growing Economy" Credit to Anaclim, LLC
"Do Pass" Vote 6-0

PROPOSAL NO. 304, 2007-recommends the granting of an "Economic Development for a Growing Economy" Credit to Angel Learning, Inc.
"Do Pass" Vote 6-0

ECONOMIC DEVELOPMENT COMMITTEE

The Economic Development Committee of the City-County Council met on Thursday August 2, 2007. Chair Jackie Nytes called the meeting to order at 5:46 p.m. with the following members present: Joanne Sanders, Lonnell Conley, Patrice Abdullah, and Virginia Cain. Councillor Isaac Randolph was absent. Councillor Pfisterer arrived shortly after.

PROPOSAL NO. 303, 2007-recommends the granting of an "Economic Development for a Growing Economy" Credit to Anaclim, LLC.

PROPOSAL NO. 304, 2007-recommends the granting of an "Economic Development for a Growing Economy" Credit to Angel Learning, Inc.

Chair Nytes entertained the idea of discussing both proposals in tandem since both proposals are dealing with the same type of credit for similar types of job creation. Chair Nytes also suggested that the committee move the action items to the beginning of the agenda, since Councillors may need to leave after the vote is taken in order to attend the Children's Health Fair. Consent was given with the stipulation that Councillors could address each proposal individually.

Margaret Banning, Administrator of Community Economic Development, Department of Metropolitan Development, informed the committee on "Economic Development for a Growing Economy" (EDGE) Credits and how they are beneficial to the corporation, the state, and the City of Indianapolis.

Ms. Banning noted that since the businesses listed in Proposal Nos. 303 and 304, 2007 will be located in Certified Technology Parks (CTP), the local jurisdiction, which in this case is the City-County Council, must approve the EDGE Credit application. Anaclim LLC, the first company for consideration for the EDGE Credit, is a company which helps pharmaceutical and medical research companies to conduct minority-focused clinical trials. Anaclim will be adding seventy new positions with an average pay of \$32.00 per hour. Anaclim will also be making an investment of \$250,000 in personal property for equipment. Angel Learning, Inc. is an information-technology company that designs web-based instruction systems for teachers and educators. Angel Learning will be adding 123 new positions with an estimated pay of \$43.00 per hour. EDGE Credits work by allowing the state to collect payroll taxes and then crediting that amount back to the company. This allows the company to dedicate funds back to the company so that they can deduct that amount from their income taxes.

Councillor Abdullah asked Ms. Banning how the money from CTPs is designated to the City and how the City can use that money. Ms. Banning responded that the City has a dedicated fund that receives money from the state for CTPs. The City receives revenue up to \$5 million to use for reinvestment into that particular CTP.

Councillor Abdullah inquired how the companies reach out into the community and train the population so they may compete for these high paying jobs. Ms. Banning responded that the state

leans more towards high-paying jobs, and not necessarily companies that will provide job training. The point is that the companies will provide high-paying jobs that will benefit the entire community through higher incomes.

Councillor Sanders inquired how the amount of EDGE credits are determined. Ms. Banning responded that it is through a formula, set by the state, based on the number of jobs that will be created and the wages that the company will pay.

Councillor Sanders inquired if there were any consequences for a company who does not comply with the number of jobs created or the promised wages paid. Ms. Banning responded that there are consequences for such failures, but those penalty revenues will go to the state, since the EDGE Credit is state funded.

Councillor Sanders asked if all income taxes are credited back to the company from the EDGE Credit, including County Option Income Taxes (COIT). Ms Banning responded that COIT is not credited as a part of EDGE.

Chair Sanders asked Ms. Banning to define Increased Incremental Adjusted Gross Income Tax as defined by the proposal. Ms Banning stated that it is the incremental increase from the new employees. Companies will continue to pay taxes on their current employees, and will only receive credits on new employees and their salaries.

Councillor Sanders questioned if there is a limit on the number of companies that could receive EDGE Credits within a certain CTP. Ms Banning responded that there is not a limit, but there are also not many companies who apply for EDGE Credits.

Councillor Abdullah asked if there is a cap or a limit to the number of credits that can be issued state-wide, and if the state limits the type of business that can receive an EDGE Credit. Ms. Banning responded that this type of credit focuses mainly on manufacturing. Councillor Nytes reiterated the fact that a McDonalds would not qualify for an EDGE Credit. The state targets certain groups that are believed to strengthen the state's economy and which will sustain growth over time.

Councillor Conley asked if the EDGE credit is awarded after an eight-year period or anytime during the agreement. Ms. Banning responded that the EDGE Credit is applied immediately to income taxes that will be generated over the eight-year period. The point for the immediate application of the abatement is so the company may start to invest that revenue into new jobs. Councillor Nytes reaffirmed that the state will pull credits from any firm that is not living up to its half of the deal.

Councillor Cain inquired about the advantage to the City, since the payroll taxes will go to the state and not the City through the EDGE Credits. Ms. Banning stated that the City is not losing anything, since the credit is for state taxes. If not for the CTP, the city would not have received those particular jobs. Councillor Cain inquired about the advantage to the business. Ms. Banning

stated that the business did not have to pay income taxes, and can reinvest that money into hiring new employees with the additional revenue, creating growth.

Councillor Sanders said the proposals state that after eight years, the local governing body would be entitled to receive the Increased Increment after the abatement expired. Ms. Banning stated that if the city has not reached the \$5 million cap by the end of eight years, the City may start to collect those taxes up to the cap amount.

Dianna Bilgrum, Ernst and Young, stated that companies are given an EDGE Credit amount and time frame up front, and that time and amount is guaranteed throughout the life of the credit. If the company exceeds their hiring goal, they still receive the agreed upon amount.

[Clerk's Note: Councillor Pfisterer arrived at 6:10 p.m.]

PROPOSAL NO. 303, 2007-recommends the granting of an "Economic Development for a Growing Economy" Credit to Anaclim, LLC.

Councillor Conley moved, seconded by Councillor Sanders, to send Proposal No. 303, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

PROPOSAL NO. 304, 2007-recommends the granting of an "Economic Development for a Growing Economy" Credit to Angel Learning, Inc.

Councillor Conley moved, seconded by Councillor Cain, to send Proposal No. 304, 2007 to the full Council with a "Do Pass" recommendation. The motion carried by a vote of 6-0.

PRESENTATION- Use of tax abatements in Marion County
Margaret Banning Administrator of Community Economic Development, Department of Metropolitan Development.

Chair Nytes requested a report on tax abatements, how they work and their success in spurring new investment within Indianapolis and Marion County.

Margaret Banning stated that the use of tax abatements are written within state statute. Ms. Banning stated that abatements are one of a few tools that local government can use to become more competitive when attracting jobs and business to the area. Ms. Banning also stated that the Metropolitan Development Commission is responsible for issuing tax abatements and terminations within Marion County and, the Council has three appointments to said commission.

Ms. Banning stated that abatements only apply to investments that increase the assessed property value, both real and personal. Ms. Banning emphasized that abatements do not apply to a business's existing taxes, only new taxes brought on by an increase in assessed property value.

Councillor Conley requested that Ms. Banning expound on tax abatements. Ms. Banning stated that abatement is a phased credit. The first year of the abatement there would not be a property

tax payment on the additional investment. After the first year, increments of the tax bill would be paid until the final year of the abatement, when the tax bill would be paid in full. Councillor Conley elaborated on the fact that abatements do not mean that the abated property is tax-free for the life of the abatement.

Councillor Abdullah inquired if brand new buildings on land the business already owns would qualify for abatement. Ms. Banning responded that the improvements would be abatable, but the property taxes on the land itself are never abatable. Ms. Banning also stated the abatement is based only on the assessed value of the building and not on the actual cost to build that building.

Councillor Abdullah asked about abatements that have lasted longer than ten years, and if special laws have been made for such abatements. Ms. Banning responded that abatements are by state statute and can only last up to 10 years and no longer.

Councillor Cain inquired if one company may have multiple abatements on their property. Ms. Banning responded that multiple abatements may be granted to the same company as long as the company is improving multiple buildings on its site. The abatements are issued for completely new investments only.

Councillor Pfisterer reiterated the fact that abatements are granted as a way to spur business investment in Marion County. Jim Garrard, Director of Economic Development, stated that abatements are a very good tool for local governments to attract business to the community. Abatements are a means to keep the city competitive with other cities in attracting business.

Councillor Abdullah asked Ms. Banning if an abatement cap existed. Mr. Garrard responded by saying that there is no such cap. By allowing abatements, the county is actually growing its tax base; whereas, the misconception is that the county is giving away money through the abatement.

Ms. Banning noted that abatements are not being hastily handed out. Ms. Banning noted that in 2006, the County approved 26 abatement projects. Ms. Banning also stated that since 2000 the companies who have been awarded tax abatements have invested \$3 billion in capital investments for the City. This investment generated \$182 million in additional tax payments.

Ms. Banning also stated that the abatements are a tool used for retention and creation of jobs. Abatement projects have created 13,000 new jobs and retained over 22,000 positions since 2000. Ms. Banning stated that abatements are targeted toward life sciences, advanced manufacturing, information technology, logistical distribution, and motor sports. She said that, it is believed, these sectors of the economy, will make the local economy stronger and more competitive.

Ms. Banning stated that the location or relocation of the business also plays a role in the amount and length of abatement. Ms. Banning stated that Marion County has lost business opportunities

in the past to other counties, states, and even countries. Abatements create a more competitive atmosphere to attract business.

Ms. Banning stated that all abatement projects require a Memorandum of Agreement between the companies and local government. This memorandum gives local government more authority to enforce the agreement. If the company does not live up to their part of the deal, the city-county can assess damages against the company.

Chair Nytes emphasized the fact that when a company does not live up to its promises for job creation or capital investment, the city does take action to retrieve losses.

Chair Nytes asked Ms. Banning to give examples of companies that have been issued abatements. Ms. Banning and Mr. Garrard answered that many different companies have received abatements, both large and small, but retail businesses do not typically receive abatements. Councillor Cain inquired if not-for-profit ventures receive abatements. Ms. Banning stated that since not-for-profit entities do not pay taxes, they do not receive tax abatements.

Councillor Conley noted that conversations like this clear up many misconceptions on tax abatements the public may have. Councillor Sanders pointed out that exemptions are given to churches, schools, and government facilities. Councillor Sanders noted that nearly 47% of all property in Center Township is tax exempt by local, state, or federal law.

There being no further business, and upon motion duly made, the meeting adjourned at 6:50 p.m.

Respectfully Submitted,

Jackie Nytes, Chair